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# Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 CIAE-00
INR-07 NSAE-00 PRS-01 TRSE-00 COME-00 EB-07 OMB-01
L-03 ACDA-07 /064 R

DRAFTED BY DOD/DSAA:LTC.SINGER
APPROVED BY NEA/ARN:MDRAPER
NEA/ARP:BBODINE
PM/SAS:DKEENE
----------051048 240112Z /61
R 230534Z JUL 77
FM SECSTATE WASHDC
TO AMEMBASSY JIDDA
INFO CHUSMIN DHAHRAN
AMEMBASSY AMMAN
SECDEF

S E C R E T STATE 172953

E.O. 11652: GDS

TAGS: MASS, JO, SA, US

SUBJECT: JORDAN AIR DEFENSE PAYMENT PROBLEM

REFS: (A) JIDDA 4970, (B) SECDEF 512121Z JULY 77,
(C) CHUSMIM 140701Z JULY 77, (D) 76 JIDDA 5870

1. WE AGREE THAT AN EXCHANGE OF DIPLOMATIC NOTES IS NEEDED TO CONFIRM THE EXPRESSED SAUDI INTENT TO PAY THE $140 MILLION.

2. THERE IS NO USG AGREEMENT TO DEFER RECEIPT OF PAYMENTS FOR THE JORDAN AIR DEFENSE PROGRAM; THE AGREEMENT MADE IN AUGUST 1976 (REF D) PROVIDES THE FUNDING AUTHORITY LEGALLY REQUIRED TO CONTINUE THE PROGRAM. THAT AGREEMENT EFFECT-
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IVELY DELAYED THE NECESSITY FOR THE SAUDIS TO DEFER THE $140 MILLION PAYMENT, I.E. THE LAST PAYMENT CAN BE DEFERRED AS LONG AS THE SAG TRUST FUND HAS SUFFICIENT FUNDS TO COVER ALL COSTS OF THE TOTAL SAUDI FMS PROGRAM, INCLUDING THE JORDAN AIR DEFENSE PROGRAM. IT IS HIGHLY UNLIKELY THAT THERE WILL BE A SHORTFALL IN THE SAG TRUST FUND.

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3. WHILE WE HAVE FULL LEGAL AUTHORITY TO PROCEED, AND NEED NO DIPLOMATIC EXCHANGE FOR THAT PURPOSE, WE DO BELIEVE THAT THE DIPLOMATIC NOTE WILL BE USEFUL IN REAFFIRMING THE SAG INTENTION TO REPLACE A TOTAL OF $540 MILLION WHICH HAS BEEN

OR WILL BE DISBURSED FROM THE SAUDI TRUST FUND (REFERRED TO IN DIPLOMATIC EXCHANGES AS THE UNITED ACCOUNT) ON BEHALF OF THE JORDAN AIR DEFENSE PROGRAM. WE THEREFORE REQUEST THAT YOU INITIATE AN EXCHANGE OF DIPLOMATIC NOTES USING THE FOLLOWING LANGUAGE:

"THE EMBASSY OF THE UNITED STATES OF AMERICA PRESENTS ITS COMPLIMENTS TO THE MINISTRY OF FOREIGN AFFAIRS OF THE KINGDOM OF SAUDI ARABIA, AND HAS THE HONOR TO REFER TO RECENT CONVERSATIONS CONCERNING THE IMPLEMENTATION OF THE AGREEMENT CONTAINED IN THE AUGUST 28, 1976, COMMUNICATION FROM THE MINISTRY OF FOREIGN AFFAIRS TO THE EMBASSY ON THE SUBJECT OF FINANCING THE JORDANIAN AIR DEFENSE PROGRAM.

PURSUANT TO THAT AGREEMENT, THE UNITED STATES DEPARTMENT OF DEFENSE UNDERTOOK TO UNIFY THE ACCOUNT OF THE KINGDOM FOR MILITARY PURCHASES INTO A SINGLE ACCOUNT FROM WHICH EXPENDITURES WOULD BE MADE FOR ALL PURCHASES UNDER THE ARMS AGREEMENTS BETWEEN THE TWO COUNTRIES, INCLUDING THE AGREEMENT FOR FINANCING THE JORDANIAN AIR DEFENSE PROGRAM. FOR ITS PART, THE KINGDOM OF SAUDI ARABIA UNDERTOOK TO RE-



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PLACE THE SUMS WITHDRAWN FROM THE UNITED ACCOUNT TO FINANCE THE JORDANIAN AIR DEFENSE SYSTEM BY MAKING A PAYMENT OF $140 MILLION IN THE FIRST YEAR AND PAYMENTS OF $100 MILLION YEARLY FOR THE SUCCEEDING FOUR YEARS TO THE GOVERNMENT OF THE UNITED STATES FOR DEPOSIT INTO THE UNITED ACCOUNT. IN ADDITION THE KINGDOM OF SAUDI ARABIA AGREED THAT IT WOULD COVER ANY DEFICIT IN THE UNITED ACCOUNT FOR ALL PAYMENTS REQUESTED AS THEY COME DUE SHOULD THERE BE A SHORTFALL IN THE UNITED ACCOUNT.

AS OF JUNE 30, 1977, ALTHOUGH SUBSTANTIAL PAYMENTS HAVE BEEN MADE FROM THE UNITED ACCOUNT FOR THE JORDANIAN AIR DEFENSE PROGRAM, NO DEPOSITS HAVE BEEN MADE AS YET BY THE KINGDOM OF SAUDI ARABIA TO REPLACE THE AMOUNTS SO WITHDRAWN FROM THE UNITED ACCOUNT. NEVERTHELESS, ACCORDING TO THE RECORDS OF THE UNITED STATES DEPARTMENT OF DEFENSE, NO DEFICIT HAS OCCURRED IN THE UNITED ACCOUNT, AND THE UNITED STATES DEPARTMENT OF DEFENSE CURRENTLY PROJECTS THAT, IF THE FOUR ANNUAL PAYMENTS OF $100 MILLION EACH ARE MADE AS PREVIOUSLY SCHEDULED, THE INITIAL AFORESAID PAYMENT INTO THE UNITED ACCOUNT OF $140 MILLION CAN BE POSTPONED UNTIL JUNE 30, 1981 WITHOUT SUBSTANTIAL RISK THAT A

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DEFICIT WILL OCCUR IN THE UNITED ACCOUNT.

THE EMBASSY OF THE UNITED STATES OF AMERICA ACCORDINGLY HAS THE HONOR TO ADVISE THE MINISTRY OF FOREIGN AFFAIRS THAT, SUBJECT TO THE AUGUST 28, 1976 AGREEMENT OTHERWISE REMAINING IN FULL FORCE, THE UNITED STATES DEPARTMENT OF

DEFENSE IS WILLING TO POSTPONE A REQUEST FOR THE AFORESAID PAYMENT OF $140 MILLION FOR REPLENISHMENT OF THE UNITED ACCOUNT UNTIL JUNE 30, 1981.

THE EMBASSY OF THE UNITED STATES OF AMERICA AVAILS ITSELF OF THIS OPPORTUNITY TO RENEW TO THE MINISTRY OF FOREIGN AFFAIRS THE ASSURANCES OF ITS VERY HIGHEST CONSIDERATION."

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"THE MINISTRY OF FOREIGN AFFAIRS OF THE KINGDOM OF SAUDI ARABIA PRESENTS ITS COMPLEMENTS TO THE EMBASSY OF THE UNITED STATES OF AMERICA AND ACKNOWLEDGES RECEIPT OF THE EMBASSY'S NOTE OF , 1977 ON THE SUBJECT OF FINANCING THE JORDANIAN AIR DEFENSE PROGRAM.

THE MINISTRY OF FOREIGN AFFAIRS HAS THE HONOR TO INFORM THE EMBASSY OF THE UNITED STATES OF AMERICA THAT THE KINGDOM OF SAUDI ARABIA ACCEPTS THE PROPOSAL PUT FORWARD IN THE EMBASSY'S NOTE, AND CONFIRMS THAT THE AGREEMENT BETWEEN THE TWO COUNTRIES CONTAINED IN THE AUGUST 28, 1976 COMMUNICATION FROM THE MINISTRY OF FOREIGN AFFAIRS TO THE EMBASSY OF THE UNITED STATES OF AMERICA OTHERWISE REMAINS IN FULL FORCE.

THE MINISTRY OF FOREIGN AFFAIRS AVAILS ITSELF OF THIS OPPORTUNITY TO RENEW TO THE EMBASSY OF THE UNITED STATES OF AMERICA THE ASSURANCES OF ITS VERY HIGHEST CONSIDERATION."

4. WE BELIEVE THAT CONSUMMATION OF THE EXCHANGE OF DIPLOMATIC NOTES TOGETHER WITH IMMEDIATE SAUDI PAYMENT OF THE $100 MILLION WHICH WAS DUE ON 30 JUNE 1977, WILL REMOVE ALL DOUBT WITH RESPECT TO THE SAG DESIRE TO CONTINUE PROGRAM AT THE $540 MILLION LEVEL. AS INDICATED IN THE NOTES WE WOULD EXPECT THE PAYMENTS TO BE MADE IN ANNUAL $100 MILLION INCREMENTS (THE FIRST $100 MILLION DUE IMMEDIATELY; THE NEXT DUE 30 JUNE 1978) WITH THE FINAL $140 MILLION PAYMENT DUE JUNE 30, 1981. VANCE

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# Message Attributes

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**Review Markings:**
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